

**Amend Section 7204 of the Bradley-Burns Uniform Local Tax Law to require all local sales or use taxes collected within the boundaries of an Indian reservation to be allocated by the Board to that reservation.**

**Source: Honorable Johan Klehs**

Under existing law, the state is prohibited from imposing a tax on the sale or use of tangible personal property where it is prohibited from doing so under the Constitution or the laws of the United States. Under the Board's Regulation 1616, "Federal Areas," sales by Indians are not subject to sales tax; however, Indian retailers are required to collect use tax from purchasers and must register with the Board for that purpose. In addition, on-reservation sales by non-Indian retailers are exempt from sales tax. However, such retailers are also required to collect the applicable use tax from the purchasers and remit it to the Board.

Under the current taxing structure, none of the state or local retail sales or use taxes generated by sales made on Indian reservations are shared with any of the tribes, even though many tribes provide services to Indians as well as non-Indians, including ambulance, fire and police protection, and, in some cases, public utility services. In many cases, the net effect is a revenue loss for the reservations.

This proposal would address this issue by requiring the Board to transmit any local tax generated by sales made on the reservations back to the reservation. This proposal would provide that, if the Board has a contract with an Indian reservation to collect the local sales and use taxes, all such taxes collected by the Board within the boundaries of an Indian reservation must be allocated to the reservation in which the sale was made.

*Section 7204 of the Revenue and Taxation Code is amended to read:*

7204. All sales and use taxes collected by the State Board of Equalization pursuant to contract with any city, city and county, redevelopment agency, ~~or county,~~ or Indian reservation, shall be transmitted by the board to such city, city and county, redevelopment agency, ~~or county,~~ or Indian reservation, periodically as promptly as feasible. The transmittals required under this section shall be made at least twice in each calendar quarter.